Manitoba Agriculture

FAMILY RESOURCE MANAGEMENT

Finances for Families

THE COST OF RAISING A CHILD IN 1989

MAY 1 1 1989

Children can bring great joy and fulfillment! Benefits like these cannot be measured in dollars. Nonetheless, raising a child is the beginning of a costly endeavour!

This fact sheet will give some of the information you need to determine how much it costs to raise a child. The non-economic costs and benefits are not considered. The costs are from **Budget Guides** which is published annually by Manitoba Agriculture. This comprehensive publication details the standards used to arrive at the costs in this summary sheet. Standards are based on basic goods and services necessary to maintain physical and social well being. Depending on a family's income, values, goals, and lifestyles even needs can be subjective. What one family considers essential may not be necessary for another and figures must be adjusted accordingly.

Costs in this fact sheet are in current dollars based on regularly priced, new items. Pricing was done in August and September 1988. No allowance has been made for future inflation.

Figures are based on raising one child. Two children will not double the costs. Adjustments must be made for some expenditures such as Blue Cross health insurance which does not increase with more than one child. Other examples are the opportunity to "hand down" clothing and toys, and a child over 12 babysitting a younger sibling thus reducing child care costs.

ECONOMIC COSTS

Economic costs are those financial gains that are given up as a direct result of a child's presence. These costs may be classified as direct costs (actual dollars that must be spent) and opportunity costs (such as income foregone by a parent remaining out of the labour force to raise a child).

DIRECT COSTS are expenditures such as food, clothing, and health care that are necessary to provide maintenance for the child. These expenses vary by region and standard of living. They also vary depending on whether the family lives in Winnipeg, rural or northern Manitoba.

Food costs, with the exception of infants, are based on Agriculture Canada's Nutritious Food Basket data for Winnipeg. Infant figures are established by the Nutrition Consultants with Manitoba Health.

Shelter costs vary significantly depending on such factors as ownership, size, age, condition and location of the home. For the purposes of this fact sheet, the shelter cost is calculated as the difference between the average cost of a one bedroom and a two bedroom apartment in Winnipeg. Even if the cost of the home is not calculated, one should at least consider increased water, electricity, and gas (or the additional cost of whatever primary fuel is used to heat the home). Another person in the home will mean increased lighting requirements, energy used in cooking, hot water heating (for baths and laundry), and space heating (heating requirements increase the more frequently a door to the outside is opened). It is possible to roughly estimate how much these costs might be. The average cost for each utility would increase about 10 percent per child.

Furnishings include furniture for a child's room and increased wear and tear on the rest of the furnishings and equipment. Annual figures reflect the replacement costs calculated over specified numbers of years related to the average life expectancy of each item. The cost of furniture and equipment for an infant is included in infant clothing costs because replacement is not required.

Household Operation includes such items as laundry and cleaning supplies, and paper products. Cost is based on the difference between the costs for one and two persons. Laundry costs for an infant provide for increased laundry with special laundering products.

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Clothing costs are based on inventories of items appropriate for different age groups and sexes. The normal wear life of each item is taken into account in establishing the figures. Infant needs include not only clothing and diapers but also furniture, equipment and bedding because they are normally one-time purchases. The first year costs would be lower for subsequent infants if these items were reused.

Health Care includes the difference between the cost of Blue Cross Extended Health Benefit Plan for a single person and a family. Also included is an annual dental check up, cleaning and fluoride treatment but not dental work such as fillings. Dental costs might be lower if the family has group dental insurance through employment. Other special needs such as eye glasses are also not included.

The general health of the child can alter costs in this section. For example prescriptions are not included. In addition, a child with a medical disability would affect many, if not all, of the expenditure categories. Costs would vary depending on the level of disability.

Personal Care costs are for such needs as hair cuts, shampoo, tooth brushes and tooth paste. As a child reaches his/her teens, allowance is made for items such as deodorant, shaving supplies and sanitary products. Medicine chest supplies for a family of one or two are the same. Supplies for a family of 3 to 5 would cost approximately $30 more per year.

Recreation, Reading, Gifts (to others), and School Needs provide only the basic needs for the well being of a child. Costs could easily double or triple depending on age and involvement in recreational activities. Included in the costs are reading materials, toys and games, a bicycle, some sports equipment, and membership or lessons in one activity. The recreation costs do not allow for more expensive interests such as private music, dancing or gymnastics lessons, and competitive hockey or ringette. Summer activities for school age children under 12 assume free recreation programs combined with babysitting.

School needs cover school supplies, clothing for physical education and some incidentals. Costs do not include attendance at or savings for post secondary education.

Children's allowances are also not included as many of the expenses are already costed. The amount for which a child may be responsible will depend on his/her age and maturity and the financial resources of the family.

Transportation costs often increase with the presence of a child. Whether it is for transporting the child to and from school or a babysitter, or the use of a car by a teenager, the miles add up quickly. Such demands may even require the purchase of a second vehicle, but simply considering the variable costs associated with increased auto use (the cost of gasoline, oil, maintenance, and tires, but not insurance, licensing, and depreciation), one can roughly estimate about eight cents per kilometer.

Public Transportation is another option where it is available. For the purposes of this fact sheet the cost of public transit in Winnipeg is used to establish the budget.

Child care costs can vary depending on the availability of extended family to care for children and the type of day care facilities in the area. The need for child care services will also differ if there is a parent at home or if parents work. This fact sheet uses costs for licensed day care for a single working parent or two working parents.

OPPORTUNITY COSTS will vary from situation to situation. When computing these costs, one would look at earnings foregone or the value of extra time spent in household activities directly related to the presence of a child. Opportunity costs can be calculated by multiplying the number of hours of employment lost times the wage rate that could have been earned. Maternity leave benefits should be taken into consideration when calculating these opportunity costs.

Any long term effects of not paying into Canada Pension Plan or a company pension are also opportunity costs. There may also be other costs that are not easily calculated. Examples are the foregone opportunities for advancement and for experience in the workforce of a parent who temporarily leaves the labour force.

ECONOMIC BENEFITS

Balanced against the economic costs are economic benefits of having children. One benefit could be that children may perform duties at home or in a family business that have economic value. Older children may also seek employment to cover some of their own costs or to supplement family income.

Other benefits are provided by the federal and provincial governments through transfer payments, tax deductions, and tax credits. These benefits do not come automatically. They require completion of either application forms or income tax returns.

The figures given were general guidelines for 1988. Programs may change, therefore 1989 benefits must be based on the details provided in the most current information available.

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COST OF RAISING A BOY TO AGE 18

	Food	Clothing	Health Care	Personal Care	Recreation, Reading, Gifts, School Needs	Trans-portation	Child Care	Shelter, Furnishings, Household Operation	Total
Infant	852.00	1,274.58	—	—	—	—	4,787.50	1,644.64	8,558.72
1 Year	698.88	302.00	—	77.97	226.59	—	4,787.50	1,715.44	7,808.38
2	801.32	302.88	208.70	77.97	226.59	—	4,137.50	1,715.44	7,470.40
3	801.32	302.88	208.70	77.97	226.59	—	4,137.50	1,715.44	7,470.40
4	969.80	309.05	208.70	77.97	226.59	—	4,137.50	1,715.44	7,645.05
5	969.80	309.05	208.70	77.97	226.59	26.00	4,137.50	1,715.44	7,671.05
6	969.80	414.79	208.70	77.97	318.82	26.00	2,964.45	1,715.44	6,695.97
7	1,133.60	414.79	208.70	76.25	385.59	26.00	2,964.45	1,715.44	6,924.82
8	1,133.60	414.79	208.70	76.25	385.59	26.00	2,964.45	1,715.44	6,924.82
9	1,133.60	429.37	208.70	76.25	385.59	26.00	2,964.45	1,715.44	6,939.80
10	1,306.24	429.37	208.70	76.25	385.59	26.00	2,964.45	1,715.44	7,112.04
11	1,306.24	429.37	208.70	76.25	385.59	26.00	2,964.45	1,715.44	7,112.04
12	1,306.24	435.74	208.70	139.28	437.50	204.00	—	1,715.44	4,446.90
13	1,463.80	435.74	208.70	139.28	437.50	204.00	—	1,715.44	4,604.46
14	1,463.80	435.74	208.70	139.28	504.70	204.00	—	1,715.44	4,671.66
15	1,463.80	730.44	208.70	222.50	623.17	204.00	—	1,715.44	5,168.05
16	1,674.40	730.44	208.70	222.50	623.17	204.00	—	1,715.44	5,378.65
17	1,674.40	730.44	208.70	222.50	623.17	204.00	—	1,715.44	5,378.65
18	1,674.40	730.44	208.70	222.50	664.19	204.00	—	1,715.44	5,419.67
TOTAL	$22,797.04	$9,561.90	$3,547.90	$2,156.91	$7,293.12	$1,610.00	$43,911.70	$32,522.56	$123,401.13

COST OF RAISING A GIRL TO AGE 18

	Food	Clothing	Health Care	Personal Care	Recreation, Reading, Gifts, School Needs	Trans-portation	Child Care	Shelter, Furnishings, Household Operation	Total
Infant	852.00	1,274.58	—	—	—	—	4,787.50	1,644.64	8,558.72
1 Year	698.88	347.70	—	77.97	226.59	—	4,787.50	1,715.44	7,854.08
2	801.32	353.25	208.70	77.97	226.59	—	4,137.50	1,715.44	7,520.77
3	801.32	353.25	208.70	77.97	226.59	—	4,137.50	1,715.44	7,520.77
4	969.80	389.59	208.70	77.97	226.59	—	4,137.50	1,715.44	7,725.59
5	969.80	389.59	208.70	77.97	226.59	26.00	4,137.50	1,715.44	7,751.59
6	969.80	503.92	208.70	77.97	318.82	26.00	2,964.45	1,715.44	6,785.10
7	1,039.48	503.92	208.70	76.25	385.59	26.00	2,964.45	1,715.44	6,919.83
8	1,039.48	503.92	208.70	76.25	385.59	26.00	2,964.45	1,715.44	6,919.83
9	1,039.48	519.91	208.70	76.25	385.59	26.00	2,964.45	1,715.44	6,935.82
10	1,189.76	519.91	208.70	76.25	385.59	26.00	2,964.45	1,715.44	7,086.10
11	1,189.76	519.91	208.70	76.25	385.59	26.00	2,964.45	1,715.44	7,086.10
12	1,189.76	548.30	208.70	237.11	437.50	204.00	—	1,715.44	4,540.81
13	1,333.80	548.30	208.70	237.11	437.50	204.00	—	1,715.44	4,684.85
14	1,333.80	548.30	208.70	237.11	504.70	204.00	—	1,715.44	4,752.05
15	1,333.80	767.35	208.70	297.23	623.17	204.00	—	1,715.44	5,149.69
16	1,321.84	767.35	208.70	297.23	623.17	204.00	—	1,715.44	5,137.73
17	1,321.84	767.35	208.70	297.23	623.17	204.00	—	1,715.44	5,137.73
18	1,321.84	767.35	208.70	297.23	664.19	204.00	—	1,715.44	5,178.75
TOTAL	$20,717.56	$10,893.75	$3,547.90	$2,749.32	$7,293.12	$1,610.00	$43,911.70	$32,522.56	$123,245.91

Transfer Payments. The Family Allowance program pays taxable monthly benefits to families with children under the age of 18 who are being maintained by parents or other individuals resident in Canada. In 1988 Family Allowance was $388.00 annually per child.

Child Care Deduction. Receipted child care expenses for children 14 and under may be deductible from income. Up to $4,000 for each eligible child 6 or under and $2,000 for each child 7 to 14 was allowed in 1988.

Credit for Dependents. A non-refundable federal credit is allowed for dependent children under 18. In 1988 the maximum credit was $65.96 for each of two children and $131.92 for each additional child with a net income less than $2,500. If a child's income exceeded $2,500, a reduced claim was possible.

In the case of a single parent, one dependent child could be claimed as "the equivalent to married". The maximum credit in 1988 was $850, with net income less than $500. For incomes over $500, a reduced credit was possible.

Child Tax Credit. This is a refundable federal credit. The maximum was paid to recipients of family allowance whose family net income was up to about $24,000, but was reduced by 5% of family net income above this amount. In 1988 the maximum credit for eligible children was $659 for each child 6 and under, and $559 for each child 7 to 18.

Federal Sales Tax Credit. This is a refundable federal credit. The maximum was paid to families with net incomes up to $16,000, but was reduced by 5% of family income above this amount. The maximum credit for each child was $35 in 1988.

Manitoba Tax Reduction. This non-refundable tax reduction is designed to assist lower income families and individuals. The maximum credit for dependent children 18 and under was $50 each and the equivalent to married was $370 in 1988.

Child Related Income Support Program (CRISP). CRISP is a provincial income supplement program providing monthly benefits to low income Manitoba families to assist them with the cost of raising children. The benefits are not taxable but are included in the income calculations for Child Tax Credits.

Shelter Allowance for Family Renters (SAFFR). SAFFR is a provincial program that provides monthly benefits to lower income families with dependent children when they must spend over 25% of income on eligible rental costs. The benefits are not taxable but do reduce Manitoba Property Tax Credits.

FOR FURTHER INFORMATION

The guides in this fact sheet should be used only as a benchmark for calculating the cost of child rearing. Each family has a unique set of circumstances which must be considered as well. For further information contact your Home Economist. In rural areas call the local Manitoba Agriculture office. In Winnipeg, Brandon, Thompson, Flin Flon and The Pas, contact Manitoba Health.

The fact sheet **Family Living Budget Guides** summarizes living costs for adults as well as children. It is useful for establishing a family budget. It is available from your community Home Economist. Below are sample budgets using figures from this fact sheet.

SAMPLE BUDGET — 3 person family in Winnipeg

Woman - employed; Girl - 3; Boy - 6.
Renter. No car.

	Month	Year	Per cent of Total
Food	249.73	2,996.76	13.1
Shelter	546.72	6,560.64	28.7
Home Furnishings and Equipment	78.78	945.31	4.1
Household Operation	29.22	350.59	1.5
Clothing	137.02	1,644.25	7.2
Health Care	46.08	553.00	2.4
Personal Care and Medicine Chest Supplies	45.52	546.21	2.4
Recreation, Reading, Gifts, Contributions	163.65	1,963.76	8.6
Communication	19.34	232.10	1.0
Transportation	56.66	679.90	3.0
Child Care	534.54	6,414.45	28.0
TOTAL	$1,907.26	$22,886.97	100%

SAMPLE BUDGET — 4 person family in Winnipeg

Man - self-employed; Woman - homemaker; Girl - 9; Boy - 13.
Homeowners with mortgage. Car.

	Month	Year	Per cent of Total
Food	430.08	5,161.00	15.1
Shelter	1,172.93	14,075.24	41.4
Home Furnishings and Equipment	101.02	1,212.21	3.6
Household Operation	36.63	439.56	1.3
Clothing	206.06	2,472.77	7.3
Health Care	53.23	638.80	1.9
Personal Care and Medicine Chest Supplies	68.47	821.68	2.4
Recreation, Reading, Gifts, Contributions, School Needs	237.91	2,854.87	8.4
Communication	23.41	280.92	0.8
Transportation	503.04	6,036.40	17.8
Child Care	—	—	—
TOTAL	$2,832.78	$33,993.45	100%